

**CITY OF NEWBURYPORT, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2014**

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position	13
Statement of Activities	14
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
Balance Sheet	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	19
<b>Proprietary Funds:</b>	
Statement of Net Position	20
Statement of Revenues, Expenses, and Changes in Fund Net Position	21
Statement of Cash Flows	22
<b>Fiduciary Funds:</b>	
Statement of Fiduciary Net Position	23
Statement of Changes in Fiduciary Net Position	24
<b>Notes to Financial Statements</b>	25
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Funding Progress	54

## INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council  
City of Newburyport, Massachusetts

**Additional Offices:**

Nashua, NH  
Manchester, NH  
Greenfield, MA  
Ellsworth, ME

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newburyport, Massachusetts, as of and for the year ended June 30, 2014, (except for the Newburyport Contributory Retirement System, which is as of and for the year ending December 31, 2013) and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and

fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newburyport, Massachusetts, as of June 30, 2014, (except for the Newburyport Contributory Retirement System, which is as of and for the year ending December 31, 2013) and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedules of Funding Progress appearing on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Melanson Heath*

February 27, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Newburyport, we offer readers this narrative overview and analysis of the financial activities of the City of Newburyport for the fiscal year ended June 30, 2014. Unless otherwise noted, all amounts in this Management's Discussion and Analysis are expressed in thousands.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) Notes to Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, and culture and recreation. The business-type activities include sewer, water, and harbormaster activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for sewer, water, and harbormaster operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer, water, and harbormaster operations. The sewer and water operations are considered to be major funds.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. A complete copy of the Newburyport Contributory Retirement System financial statements can be obtained from the Retirement Board at City Hall, Newburyport, Massachusetts 02492.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary infor-

mation which is required to be disclosed by accounting principles generally accepted in the United States of America.

**B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$121,835 (i.e., net position), a change of \$14,384 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$14,891, a change of \$(20,757) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,249, a change of \$738 in comparison to the prior year.
- Total bonds payable at the close of the current fiscal year was \$94,469, a change of \$(5,771) in comparison to the prior year.

**C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<b><u>NET POSITION</u></b>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 42,923	\$ 45,826	\$ 19,986	\$ 25,578	\$ 62,909	\$ 71,404
Capital assets	<u>113,997</u>	<u>76,577</u>	<u>94,818</u>	<u>91,987</u>	<u>208,815</u>	<u>168,564</u>
Total assets	156,920	122,403	114,804	117,565	271,724	239,968
Long-term liabilities outstanding	62,174	61,575	58,580	61,521	120,754	123,096
Deferred inflows	303	409	-	-	303	409
Other liabilities	<u>26,748</u>	<u>8,515</u>	<u>2,083</u>	<u>497</u>	<u>28,831</u>	<u>9,012</u>
Total liabilities and deferred inflows	89,225	70,499	60,663	62,018	149,888	132,517
Net position:						
Net investment in capital assets	58,863	59,799	41,649	41,262	100,512	101,061
Restricted	8,965	9,563	-	-	8,965	9,563
Unrestricted	<u>(134)</u>	<u>(17,458)</u>	<u>12,492</u>	<u>14,285</u>	<u>12,358</u>	<u>(3,173)</u>
Total net position	<u>\$ 67,694</u>	<u>\$ 51,904</u>	<u>\$ 54,141</u>	<u>\$ 55,547</u>	<u>\$ 121,835</u>	<u>\$ 107,451</u>

## CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,985	\$ 4,509	\$ 10,573	\$ 11,606	\$ 15,558	\$ 16,115
Operating grants and contributions	15,442	12,980	-	-	15,442	12,980
Capital grants and contributions	1,129	180	-	-	1,129	180
General revenues:						
Property taxes	46,979	43,885	-	-	46,979	43,885
Excises	2,895	2,768	-	-	2,895	2,768
Penalties, interest and other taxes	490	387	-	-	490	387
Grants and contributions not restricted to specific programs	19,236	4,508	-	-	19,236	4,508
Investment income	367	279	-	241	367	520
Other	419	470	-	-	419	470
Total revenues	<u>91,942</u>	<u>69,966</u>	<u>10,573</u>	<u>11,847</u>	<u>102,515</u>	<u>81,813</u>
Expenses:						
General government	6,365	5,312	-	-	6,365	5,312
Public safety	9,174	9,215	-	-	9,174	9,215
Education	45,129	43,076	-	-	45,129	43,076
Public works	5,304	4,484	-	-	5,304	4,484
Human services	2,943	2,870	-	-	2,943	2,870
Culture and recreation	3,043	2,948	-	-	3,043	2,948
Interest on long-term debt	1,453	870	-	-	1,453	870
Intergovernmental	2,737	2,553	-	-	2,737	2,553
Sewer operations	-	-	6,520	5,377	6,520	5,377
Water operations	-	-	5,160	5,121	5,160	5,121
Harbor operations	-	-	303	262	303	262
Total expenses	<u>76,148</u>	<u>71,328</u>	<u>11,983</u>	<u>10,760</u>	<u>88,131</u>	<u>82,088</u>
Change in net position before transfers	15,794	(1,362)	(1,410)	1,087	14,384	(275)
Transfers in (out)	<u>(4)</u>	<u>(182)</u>	<u>4</u>	<u>182</u>	<u>-</u>	<u>-</u>
Change in net position	15,790	(1,544)	(1,406)	1,269	14,384	(275)
Net position - beginning of year	<u>51,904</u>	<u>53,448</u>	<u>55,547</u>	<u>54,278</u>	<u>107,451</u>	<u>107,726</u>
Net position - end of year	<u>\$ 67,694</u>	<u>\$ 51,904</u>	<u>\$ 54,141</u>	<u>\$ 55,547</u>	<u>\$ 121,835</u>	<u>\$ 107,451</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$121,835, a change of \$14,384 from the prior year.

The largest portion of net position \$100,512 reflects our investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt

used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$8,965 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$12,358 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$15,790. Key elements of this change are as follows:

MSBA school building funding	\$ 16,733
Other capital asset additions from current year revenues	2,505
Depreciation expense in excess of principal debt service	(623)
Increase in net OPEB obligation	(3,150)
Other	<u>325</u>
Total	<u>\$ 15,790</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$(1,406). The following is a summary of the changes in net position by fund:

Sewer operations	\$ (1,009)
Water operations	(469)
Other	<u>72</u>
Total	<u>\$ (1,406)</u>

**D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources.

Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$14,891, a change of \$(20,757) in comparison to the prior year. Key elements of this change are as follows:

General fund revenues in excess of expenditures	\$ 1,015
School capital project fund expenditures in excess of revenues	(20,713)
School choice special revenue fund expenditures in excess of revenues	(997)
Other special revenue fund revenues in excess of expenditures	325
Nonmajor capital project fund expenditures in excess of revenues	(502)
Trust fund revenues in excess of expenditures	<u>115</u>
Total	\$ <u><u>(20,757)</u></u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,249, while total fund balance was \$7,427. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 6,249	\$ 5,511	\$ 738	10.0%
Total fund balance	\$ 7,427	\$ 6,745	\$ 682	11.8%

The total fund balance of the general fund changed by \$682 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (1,365)
Revenues in excess of budget	978
Expenditures less than budget	814
Stabilization account activity, net	236
Other	<u>19</u>
Total	\$ <u><u>682</u></u>

Included in the total general fund balance are the City's stabilization accounts with the following balances:

	<u>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>
General stabilization	\$ 2,530	\$ 2,511	\$ 19
Capital stabilization	<u>331</u>	<u>114</u>	<u>217</u>
Total	<u>\$ 2,861</u>	<u>\$ 2,625</u>	<u>\$ 236</u>

**Proprietary funds.** Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$12,492, a change of \$(1,793) in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

#### **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$1,424. The reasons for these amendments include:

General government appropriations	\$ 149
Public safety appropriations	175
Public works appropriations	497
Health and human services appropriations	75
Transfers to other funds appropriations	409
Other various appropriations	<u>119</u>
Total	<u>\$ 1,424</u>

The supplemental appropriations were primarily funded by transfers from other funds and the use of free cash.

#### **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$208,815 (net of accumulated depreciation), a change of \$40,252 from the prior year. This investment in capital assets includes land, buildings and system, improvements, infrastructure, and machinery and equipment.

The major capital asset events during the current fiscal year related to the Sewer and Water infrastructure improvements, as well as the new construction related to the Bresnahan School, the renovations and additions to the Nock/Molin School, and the bulkhead improvements.

**Change in credit rating.** During the fiscal year, the City's credit rating remained unchanged at AA. However, on January 9, 2014, Standard and Poor's rating services upgraded the City's credit rating to AA+.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$94,469, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the Notes to Financial Statements.

## **G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Fiscal year 2014 marked a positive year for the City. An improved economy, evidenced by increases to motor vehicle excise taxes, local meals and room occupancy taxes, licenses and permits, parking fees, and other revenues, resulted in strong overall local receipts. As has been the practice in recent years, the City continues to be conservative in its revenue estimates. Additionally, the City is committed to diversifying its revenue sources and ensuring the full recovery of costs through rates and fees.

The City continues to expand its tax base through real estate and commercial developments. In addition to new development, the demand for residential property has encouraged owners to make intensive investments within existing homes, including the renovation of many historic properties. Re-zoning efforts have allowed the City to support new growth residentially, commercially and industrially, while ensuring preservation of the City's historic character.

The City continues to maintain strong reserve balances, including Free Cash and the Stabilization Trust Fund account. During FY14, the City established a trust fund for other-post employment benefits with an initial appropriation of \$25,000. During FY15, the City will increase that balance by \$450,000 and finalize documentation to invest the OPEB Trust Fund through the state's Pension Reserves Investment Trust.

Strong departmental oversight and budget management continues to be an area of focus for the City. For the third consecutive year, the City was awarded the Distinguished Budget Presentation Award by the Government Finance Officers Association for its FY15 budget. The City is in the process of implementing an electronic purchase orders and requisitions process to assist with the regular monitoring of expenses.

Construction of the Bresnahan Elementary School moved forward, as did the renovation of the Nock Middle School and Molin Upper Elementary School, both to be occupied by the start of the 2014-2015 academic year. The City completed design of a Senior/Community Center and will break ground on construction in early FY15.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Newburyport's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City Auditor  
City of Newburyport, Massachusetts  
60 Pleasant Street  
Newburyport, Massachusetts 01950

CITY OF NEWBURYPORT, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 38,521,501	\$ 10,112,495	\$ 48,633,996
Investments	2,434,091	-	2,434,091
Receivables, net of allowance for uncollectibles:			
Property taxes	947,951	-	947,951
Excises	230,172	-	230,172
User fees	-	2,349,561	2,349,561
Betterments	-	564,396	564,396
Intergovernmental	84,014	467,557	551,571
Other	139,229	1,827	141,056
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	565,765	-	565,765
Betterments	-	6,490,559	6,490,559
Capital assets, being depreciated, net	52,664,740	93,556,662	146,221,402
Capital assets, not being depreciated	<u>61,332,112</u>	<u>1,261,367</u>	<u>62,593,479</u>
<b>TOTAL ASSETS</b>	<b>156,919,575</b>	<b>114,804,424</b>	<b>271,723,999</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	4,508,961	-	4,508,961
Accrued liabilities	4,623,319	538,484	5,161,803
Notes payable	17,500,000	1,541,213	19,041,213
Other liabilities	116,087	3,152	119,239
Current portion of long-term liabilities:			
Bonds payable	2,152,638	3,057,725	5,210,363
Compensated absences	359,366	14,798	374,164
Noncurrent:			
Bonds payable, net of current portion	35,480,805	53,777,455	89,258,260
Compensated absences, net of current portion	3,234,290	133,174	3,367,464
Net OPEB obligation	20,946,987	1,597,115	22,544,102
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>303,245</u>	<u>-</u>	<u>303,245</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>89,225,698</b>	<b>60,663,116</b>	<b>149,888,814</b>
<b>NET POSITION</b>			
Net investment in capital assets	58,863,409	41,648,890	100,512,299
Restricted for:			
Grants and other statutory restrictions	6,737,572	-	6,737,572
Permanent funds			
Nonexpendable	1,997,636	-	1,997,636
Expendable	229,782	-	229,782
Unrestricted	<u>(134,522)</u>	<u>12,492,418</u>	<u>12,357,896</u>
<b>TOTAL NET POSITION</b>	<u>\$ 67,693,877</u>	<u>\$ 54,141,308</u>	<u>\$ 121,835,185</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWBURYPORT, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General government	\$ 6,365,004	\$ 1,433,854	\$ 2,314,598	\$ -	\$ (2,616,552)	\$ -	\$ (2,616,552)
Public safety	9,174,355	662,045	202,457	-	(8,309,853)	-	(8,309,853)
Education	45,128,810	1,951,741	12,498,129	-	(30,678,940)	-	(30,678,940)
Public works	5,303,588	300,881	107,954	1,105,764	(3,788,989)	-	(3,788,989)
Health and human services	2,942,685	209,969	309,543	-	(2,423,173)	-	(2,423,173)
Culture and recreation	3,043,348	426,761	9,080	22,902	(2,584,605)	-	(2,584,605)
Interest on debt service	1,452,967	-	-	-	(1,452,967)	-	(1,452,967)
Intergovernmental	2,736,871	-	-	-	(2,736,871)	-	(2,736,871)
Total Governmental Activities	<u>76,147,628</u>	<u>4,985,251</u>	<u>15,441,761</u>	<u>1,128,666</u>	<u>(54,591,950)</u>	<u>-</u>	<u>(54,591,950)</u>
<b>Business-Type Activities:</b>							
Sewer services	6,519,687	5,686,578	-	-	-	(833,109)	(833,109)
Water services	5,161,158	4,512,503	-	-	-	(648,655)	(648,655)
Other services	302,713	374,081	-	-	-	71,368	71,368
Total Business-Type Activities	<u>11,983,558</u>	<u>10,573,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,410,396)</u>	<u>(1,410,396)</u>
Total	<u>\$ 88,131,186</u>	<u>\$ 15,558,413</u>	<u>\$ 15,441,761</u>	<u>\$ 1,128,666</u>	<u>(54,591,950)</u>	<u>(1,410,396)</u>	<u>(56,002,346)</u>
<b>General Revenues:</b>							
Property taxes					46,979,320	-	46,979,320
Excises					2,894,532	-	2,894,532
Penalties, interest and other taxes					490,105	-	490,105
Grants and contributions not restricted to specific programs					19,236,066	-	19,236,066
Investment income					366,677	63	366,740
Other					419,424	-	419,424
Transfers, net					(4,427)	4,427	-
Total general revenues					<u>70,381,697</u>	<u>4,490</u>	<u>70,386,187</u>
Change in Net Position					15,789,747	(1,405,906)	14,383,841
<b>Net Position:</b>							
Beginning of year					<u>51,904,130</u>	<u>55,547,214</u>	<u>107,451,344</u>
End of year					<u>\$ 67,693,877</u>	<u>\$ 54,141,308</u>	<u>\$ 121,835,185</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWBURYPORT, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	<u>General</u>	<u>School Building Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 11,840,494	\$ 17,676,679	\$ 9,004,328	\$ 38,521,501
Investments	206,673	-	2,227,418	2,434,091
Receivables:				
Property taxes	2,025,333	-	15,825	2,041,158
Excises	663,780	-	-	663,780
Intergovernmental	-	-	84,014	84,014
Departmental	139,229	-	-	139,229
TOTAL ASSETS	<u>\$ 14,875,509</u>	<u>\$ 17,676,679</u>	<u>\$ 11,331,585</u>	<u>\$ 43,883,773</u>
<b>LIABILITIES</b>				
Warrants and accounts payable	\$ 4,508,961	\$ -	\$ -	\$ 4,508,961
Accrued liabilities	148,748	3,877,688	150,013	4,176,449
Notes payable	-	15,300,000	2,200,000	17,500,000
Other liabilities	115,329	-	757	116,086
TOTAL LIABILITIES	4,773,038	19,177,688	2,350,770	26,301,496
<b>DEFERRED INFLOWS OF RESOURCES</b>	2,675,422	-	15,825	2,691,247
<b>FUND BALANCES</b>				
Nonspendable	-	-	1,997,636	1,997,636
Restricted	-	-	7,711,637	7,711,637
Committed	330,700	-	-	330,700
Assigned	847,612	-	-	847,612
Unassigned	6,248,737	(1,501,009)	(744,283)	4,003,445
TOTAL FUND BALANCES	<u>7,427,049</u>	<u>(1,501,009)</u>	<u>8,964,990</u>	<u>14,891,030</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	<u>\$ 14,875,509</u>	<u>\$ 17,676,679</u>	<u>\$ 11,331,585</u>	<u>\$ 43,883,773</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWBURYPORT, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET ASSETS OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2014

<b>Total governmental fund balances</b>	\$ 14,891,030
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	113,996,852
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	1,426,951
<ul style="list-style-type: none"><li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(446,870)
<ul style="list-style-type: none"><li>• Long-term liabilities, including bonds payable, and the net OPEB obligation are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	<u>(62,174,086)</u>
<b>Net position of governmental activities</b>	<u><u>\$ 67,693,877</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWBURYPORT, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>School Building Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 46,472,772	\$ -	\$ 704,129	\$ 47,176,901
Excise taxes	2,996,193	-	-	2,996,193
Interest, penalties, & other taxes	487,974	-	2,131	490,105
Charges for services	170,449	-	4,078,631	4,249,080
Licenses and permits	721,059	-	-	721,059
Intergovernmental	12,669,786	16,732,791	6,403,916	35,806,493
Investment income	70,425	-	138,485	208,910
Fines and forfeitures	15,112	-	-	15,112
Contributions	-	-	165	165
Other	165,897	-	253,362	419,259
<b>Total Revenues</b>	<b>63,769,667</b>	<b>16,732,791</b>	<b>11,580,819</b>	<b>92,083,277</b>
Expenditures:				
Current:				
General government	2,844,222	-	3,916,850	6,761,072
Public safety	6,741,769	-	172,294	6,914,063
Education	29,838,849	37,445,345	5,671,292	72,955,486
Public works	2,818,175	-	1,443,414	4,261,589
Health & human services	2,114,984	-	514,201	2,629,185
Culture and recreation	1,448,260	-	465,036	1,913,296
Employee benefits	10,493,984	-	128,572	10,622,556
Debt service	3,717,837	-	324,006	4,041,843
Intergovernmental	2,736,871	-	-	2,736,871
<b>Total Expenditures</b>	<b>62,754,951</b>	<b>37,445,345</b>	<b>12,635,665</b>	<b>112,835,961</b>
Excess (deficiency) of revenues over expenditures	1,014,716	(20,712,554)	(1,054,846)	(20,752,684)
Other Financing Sources (Uses):				
Transfers in	257,959	-	672,384	930,343
Transfers out	(590,504)	-	(344,266)	(934,770)
<b>Total Other Financing Sources (Uses)</b>	<b>(332,545)</b>	<b>-</b>	<b>328,118</b>	<b>(4,427)</b>
Change in fund balances	682,171	(20,712,554)	(726,728)	(20,757,111)
Fund Balance, at Beginning of Year	6,744,878	19,211,545	9,691,718	35,648,141
Fund Balance, at End of Year	\$ 7,427,049	\$ (1,501,009)	\$ 8,964,990	\$ 14,891,030

The accompanying notes are an integral part of these financial statements.

CITY OF NEWBURYPORT, MASSACHUSETTS

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

**Net Changes in Fund Balances - Total Governmental Funds** \$ (20,757,111)

- Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay purchases	40,607,179
Depreciation	(3,186,728)

- Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. (299,242)

- The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Repayments of debt	2,564,000
Premiums on bond	157,767
Increase in net OPEB obligation	(3,149,867)

- In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 24,876

- Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. (171,127)

**Change in Net Position of Governmental Activities** \$ 15,789,747

The accompanying notes are an integral part of these financial statements.

CITY OF NEWBURYPORT, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues and Transfers:</b>				
Property taxes	\$ 46,128,887	\$ 46,128,887	\$ 46,128,887	\$ -
Excise taxes	2,685,000	2,685,000	2,996,193	311,193
Charges for services	265,000	265,000	170,449	(94,551)
Interest, penalties, and other taxes	360,000	360,000	487,974	127,974
Licenses and permits	625,000	625,000	721,059	96,059
Intergovernmental	6,474,724	6,474,724	6,869,503	394,779
Investment income	40,000	40,000	51,167	11,167
Fines and forfeits	15,000	15,000	15,112	112
Other	35,000	35,000	165,897	130,897
Transfers in	205,750	257,959	257,959	-
<b>Total Revenues and Other Sources</b>	<b>56,834,361</b>	<b>56,886,570</b>	<b>57,864,200</b>	<b>977,630</b>
<b>Expenditures and Transfers:</b>				
General government	2,658,298	2,807,455	2,755,645	51,810
Public safety	7,013,010	7,187,556	6,952,068	235,488
Education	23,980,796	23,998,426	23,998,426	-
Public works	2,461,757	2,958,645	2,711,652	246,993
Health and human service	2,108,164	2,183,045	2,074,728	108,317
Culture and recreation	1,387,649	1,457,457	1,430,511	26,946
Employee benefits	10,711,278	10,743,356	10,495,781	247,575
Debt service	3,671,181	3,671,181	3,671,181	-
Intergovernmental	2,633,925	2,633,925	2,736,871	(102,946)
Transfers out	592,127	1,001,314	1,001,314	-
<b>Total Expenditures and Other Uses</b>	<b>57,218,185</b>	<b>58,642,360</b>	<b>57,828,177</b>	<b>814,183</b>
Excess (deficiency) revenues and transfers in over expenditures and transfers out	(383,824)	(1,755,790)	36,023	1,791,813
<b>Other Financing Sources:</b>				
Use of fund balance:				
For stabilization funding	5,000	390,810	390,810	-
Other	378,824	1,364,980	-	(1,364,980)
Excess revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 426,833	\$ 426,833

The accompanying notes are an integral part of these financial statements.

CITY OF NEWBURYPORT, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Funds	Total
<b>ASSETS</b>				
Current:				
Cash and short-term investments	\$ 4,411,500	\$ 5,383,108	\$ 317,887	\$ 10,112,495
User fee receivables	1,263,977	1,052,314	33,270	2,349,561
Betterment receivables	379,361	185,035	-	564,396
Intergovernmental receivables	326,344	141,213	-	467,557
Other assets	1,827	-	-	1,827
Noncurrent:				
Betterment receivables	4,362,657	2,127,902	-	6,490,559
Capital assets, being depreciated, net	49,508,673	43,902,570	145,419	93,556,662
Capital assets, not being depreciated	268,808	822,559	170,000	1,261,367
<b>TOTAL ASSETS</b>	<b>60,523,147</b>	<b>53,614,701</b>	<b>666,576</b>	<b>114,804,424</b>
<b>LIABILITIES</b>				
Current:				
Accrued liabilities	322,789	215,695	-	538,484
Notes payable	-	1,541,213	-	1,541,213
Other liabilities	410	2,498	244	3,152
Current portion of long-term liabilities:				
Bonds payable	1,768,581	1,289,144	-	3,057,725
Compensated absences	3,879	10,919	-	14,798
Noncurrent:				
Bonds payable, net of current portion	32,581,188	21,196,267	-	53,777,455
Compensated absences, net of current portion	34,906	98,268	-	133,174
Net OPEB Obligation	687,771	909,344	-	1,597,115
<b>TOTAL LIABILITIES</b>	<b>35,399,524</b>	<b>25,263,348</b>	<b>244</b>	<b>60,663,116</b>
<b>NET POSITION</b>				
Net investment in capital assets	17,394,937	23,938,534	315,419	41,648,890
Unrestricted	7,728,686	4,412,819	350,913	12,492,418
<b>TOTAL NET POSITION</b>	<b>\$ 25,123,623</b>	<b>\$ 28,351,353</b>	<b>\$ 666,332</b>	<b>\$ 54,141,308</b>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWBURYPORT, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Operating Revenues:</b>				
Charges for services	\$ 5,686,578	\$ 4,512,503	\$ 374,081	\$ 10,573,162
Total Operating Revenues	5,686,578	4,512,503	374,081	10,573,162
<b>Operating Expenses:</b>				
Personnel services	1,894,044	1,697,721	201,013	3,792,778
Non-personnel services	1,663,556	1,164,617	82,449	2,910,622
Depreciation	2,238,851	1,882,588	18,251	4,139,690
Total Operating Expenses	5,796,451	4,744,926	301,713	10,843,090
Operating Income (Loss)	(109,873)	(232,423)	72,368	(269,928)
<b>Nonoperating Revenues (Expenses):</b>				
Interest income	-	63	-	63
Interest expense	(723,236)	(416,232)	(1,000)	(1,140,468)
Total Nonoperating Revenues (Expenses), Net	(723,236)	(416,169)	(1,000)	(1,140,405)
Income (Loss) before transfers	(833,109)	(648,592)	71,368	(1,410,333)
<b>Transfers:</b>				
Transfers in	-	180,082	-	180,082
Transfers out	(175,655)	-	-	(175,655)
Change in Net Position	(1,008,764)	(468,510)	71,368	(1,405,906)
Net Position at Beginning of Year	26,132,387	28,819,863	594,964	55,547,214
Net Position at End of Year	\$ 25,123,623	\$ 28,351,353	\$ 666,332	\$ 54,141,308

The accompanying notes are an integral part of these financial statements.

CITY OF NEWBURYPORT, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Funds	Total
<b><u>Cash Flows From Operating Activities:</u></b>				
Receipts from customers and users	\$ 5,764,437	\$ 4,526,029	\$ 374,337	\$ 10,664,803
Payments to employees	(1,558,439)	(1,535,617)	(201,013)	(3,295,069)
Payments to vendors	(1,879,179)	(1,136,460)	(82,377)	(3,098,016)
Net Cash Provided By Operating Activities	2,326,819	1,853,952	90,947	4,271,718
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>				
Transfers in	-	180,082	-	180,082
Transfers out	(175,655)	-	-	(175,655)
Betterments	210,882	161,632	-	372,514
Net Cash Provided By (Used For) Noncapital Financing Activities	35,227	341,714	-	376,941
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>				
Acquisition and construction of capital assets	(4,604,009)	(2,350,074)	(16,973)	(6,971,056)
Proceeds from issuance of bonds and notes	5,103,735	3,637,679	-	8,741,414
Principal payments on bonds and notes	(1,768,250)	(1,413,524)	(25,000)	(3,206,774)
Interest expense	(723,236)	(416,232)	(1,000)	(1,140,468)
Net Cash (Used For) Capital and Related Financing Activities	(1,991,760)	(542,151)	(42,973)	(2,576,884)
Cash Flows From Investing Activities:				
Investment income	-	63	-	63
Net Cash Provided By Investing Activities	-	63	-	63
Net Change in Cash and Short-Term Investments	370,286	1,653,578	47,974	2,071,838
Cash and Short-Term Investments, Beginning of Year	4,041,214	3,729,530	269,913	8,040,657
Cash and Short-Term Investments, End of Year	\$ 4,411,500	\$ 5,383,108	\$ 317,887	\$ 10,112,495
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>				
Operating income	\$ (109,873)	\$ (232,423)	\$ 72,368	\$ (269,928)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	2,238,851	1,882,588	18,251	4,139,690
Changes in assets and liabilities:				
User fees	77,859	13,526	256	91,641
Accrued liabilities	21,624	23,159	-	44,783
OPEB	97,045	162,104	-	259,149
Other liabilities	1,313	4,998	72	6,383
Net Cash Provided By Operating Activities	\$ 2,326,819	\$ 1,853,952	\$ 90,947	\$ 4,271,718

The accompanying notes are an integral part of these financial statements.

CITY OF NEWBURYPORT, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Pension Trust Fund (For the Year Ended <u>December 31, 2013</u> )	OPEB Trust <u>Fund</u>	Agency <u>Funds</u>
<b>ASSETS</b>			
Cash	\$ 1,433,748	\$ 25,000	\$ 311,281
Investments	60,949,203	-	-
Accounts receivable	40,129	-	-
Other assets	<u>-</u>	<u>-</u>	<u>92,333</u>
Total Assets	62,423,080	25,000	403,614
<b>LIABILITIES</b>			
Other liabilities	<u>2,598</u>	<u>-</u>	<u>403,614</u>
Total Liabilities	2,598	-	403,614
<b>NET POSITION</b>			
Unrestricted	<u>62,420,482</u>	<u>25,000</u>	<u>-</u>
Total Liabilities and Net position	<u>\$ 62,423,080</u>	<u>\$ 25,000</u>	<u>\$ 403,614</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWBURYPORT, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Pension Trust Fund (For the Year Ended December 31, 2013)	OPEB Trust Fund
<b>Additions:</b>		
Contributions:		
Employers	\$ 4,064,210	\$ 25,000
Plan members	1,600,724	-
Other systems and Commonwealth of Massachusetts	<u>234,096</u>	<u>-</u>
Total contributions	5,899,030	25,000
Investment Income:		
Appreciation in fair value of investments	8,104,072	-
Less: management fees	<u>(317,027)</u>	<u>-</u>
Net investment income	<u>7,787,045</u>	<u>-</u>
Total additions	13,686,075	25,000
<b>Deductions:</b>		
Benefit payments to plan members and beneficiaries	5,624,121	-
Refunds to plan members	118,283	-
Transfers to other systems	260,891	-
Administrative expenses	<u>170,274</u>	<u>-</u>
Total deductions	<u>6,173,569</u>	<u>-</u>
Net increase	7,512,506	25,000
<b>Net position:</b>		
Beginning of year	<u>54,907,976</u>	<u>-</u>
End of year	<u>\$ 62,420,482</u>	<u>\$ 25,000</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF NEWBURYPORT, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the City of Newburyport (the City) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

#### A. Reporting Entity

The government is a municipal corporation governed by an elected Mayor and City Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2014, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

In the Fiduciary Funds: The Newburyport Contributory Retirement System which was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System and complete financial statements can be obtained by contacting the System located at City of Newburyport, Massachusetts, City Hall, Newburyport, Massachusetts 02492.

#### B. Government-wide and Fund Financial Statements

##### Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific func-

tion or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

#### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

#### Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

#### Fund Financial Statements

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is

incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *school building fund* accounts for the financing and construction costs related to the school building projects.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following major proprietary funds:

- The *Sewer fund* is used to report the City's sewer operations
- The *Water fund* is used to report the City's water operations

The *Pension Trust Fund* accounts for the activities of the Employees Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *OPEB trust fund* is used to account for reserves set aside by the City to fund future OPEB costs.

The *Agency fund* is used to account for student activity funds and employee details. The *Agency fund* reports only assets and liabilities, and therefore, has no measurement focus.

The *Agency Funds* include *Student Activity Funds*, *Police*, *Fire* and *Maintenance Detail Funds* and *Newburyport Retirement Board Fund*.

#### D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the

General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

#### *E. Investments*

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Contributory Retirement System consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

#### *F. Property Tax Limitations*

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2½ percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2014 tax levy reflected an excess capacity of approximately \$349,850.

#### *G. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25 - 50
Land improvements	10 - 50
Infrastructure	25 - 50
Machinery and equipment	3 - 20
Vehicles	3 - 10

*H. Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

*I. Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

*J. Fund Equity*

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The City reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The City's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the City Council).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

#### K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

## 2. Stewardship, Compliance, and Accountability

### A. Budgetary Information

The Mayor presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by the City Council, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at City Council meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the City Council is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

### B. Budgetary Basis

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

### C. Budget/GAAP Reconciliation

The budgetary data for the general and proprietary funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 63,769,667	\$ 62,754,951
Other financing sources/uses (GAAP Basis)	<u>257,959</u>	<u>590,504</u>
Subtotal (GAAP Basis)	64,027,626	63,345,455
To adjust property tax revenue to the Budgetary Basis	(343,885)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(734,660)
Add end-of-year appropriation carryforwards from expenditures	-	847,612
To record certain use of free cash and overlay surplus	390,810	-
To reverse the effect of non- budgeted State contributions for teachers retirement	(5,800,283)	(5,800,283)
Other	<u>(19,258)</u>	<u>170,053</u>
Budgetary Basis	<u>\$ 58,255,010</u>	<u>\$ 57,828,177</u>

**D. Deficit Fund Equity**

The City's special revenue funds and capital project funds reflect various individual deficit fund balance accounts, which will be funded by future receipts and bond issuances.

**3. Cash and Short-Term Investments**

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned.

Massachusetts General Law Chapter 44, Section 55, limits the City's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or

trust company or banking company for such excess.” The City does not have a deposit policy for custodial credit risk.

As of June 30, 2014, \$202,341 of the City’s bank balances of \$47,406,813 was exposed to custodial credit risk as uninsured or uncollateralized.

The Contributory Retirement System (the System) does not have a deposit policy for custodial credit risk.

As of December 31, 2013, none of the Contributory Retirement System’s bank balance of \$1,658,058 was exposed to custodial credit risk as uninsured or uncollateralized.

#### 4. Investments

Statutes authorize the Investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer’s Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investments of funds of savings banks under the laws of the Commonwealth.

##### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the City’s investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below (in thousands) is the actual rating as of year-end for each investment of the City (All federal agency securities have an implied credit rating of AAA):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>
Certificates of deposit	\$ 70	\$ 70
Corporate equities	367	367
Mutual funds	<u>1,997</u>	<u>1,997</u>
Total investments	<u>\$ 2,434</u>	<u>\$ 2,434</u>

Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the

Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

As of December 31, 2013, the System's investments of \$60,949,203 were exposed to credit risk as uninsured and uncollateralized. However, the investments were held in the State investment pool (PRIT).

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>
State Investment Pool	\$ 60,949	\$ 60,949

*\*Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.*

**B. Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City and System do not have policies for custodial credit risk.

The City's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the City's brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC. The System's investments were held in the State investment pool (PRIT).

**C. Concentration of Credit Risk**

The City places no limit on the amount the City may invest in any one issuer. There were no investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments.

The Retirement System places no limit on the amount invested in any one issuer. The System does not have an investment in one issuer greater than 5% of total investments.

*D. Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the City investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>	
	<u>Fair Value</u>	<u>1-5</u>
Certificates of deposit	\$ <u>70</u>	\$ <u>70</u>
Total	\$ <u>70</u>	\$ <u>70</u>

The Retirement System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*E. Foreign Currency Risk*

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The City and System do not have policies for foreign currency risk.

**5. Taxes Receivable**

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to. Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The City has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2014 consist of the following (in thousands):

Real Estate		
2014	\$ 886	
2013	161	
2012	9	
2011	4	
Prior	<u>110</u>	1,170
Personal Property		
2014	10	
2013	10	
2012	8	
2011	38	
Prior	<u>164</u>	230
Tax Liens		625
CPA		<u>16</u>
Total		<u>\$ 2,041</u>

#### 6. **Allowance for Doubtful Accounts**

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>
Property taxes	\$ 527
Excises	\$ 434

#### 7. **Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2014.

#### 8. **Interfund Transfers In and (Out)**

The City's routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them. The transfers

from the enterprise funds to the general fund are made to cover indirect costs of enterprise funds not incurred in but paid by the general fund. The following is an analysis of interfund transfers made in fiscal year 2014.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 257,959	\$ 590,504
Nonmajor Governmental Funds:		
Special revenue funds	172,297	344,266
Capital project funds	500,087	-
Enterprise Funds:		
Sewer fund	-	175,655
Water fund	180,082	-
Total	\$ <u>1,110,425</u>	\$ <u>1,110,425</u>

## 9. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 70,893	\$ 139	\$ -	\$ 71,032
Infrastructure	29,148	778	-	29,926
Machinery and equipment	4,463	292	-	4,755
Total capital assets, being depreciated	104,504	1,209	-	105,713
Less accumulated depreciation for:				
Buildings and improvements	(25,678)	(2,349)	-	(28,027)
Infrastructure	(21,177)	(532)	-	(21,709)
Machinery and equipment	(3,006)	(306)	-	(3,312)
Total accumulated depreciation	(49,861)	(3,187)	-	(53,048)
Total capital assets, being depreciated, net	54,643	(1,978)	-	52,665
Capital assets, not being depreciated:				
Land	9,478	-	-	9,478
CIP	12,456	39,398	-	51,854
Total capital assets, not being depreciated	21,934	39,398	-	61,332
Governmental activities capital assets, net	\$ <u>76,577</u>	\$ <u>37,420</u>	\$ <u>-</u>	\$ <u>113,997</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,358	\$ -	\$ -	\$ 1,358
Infrastructure	125,414	6,898	-	132,312
Machinery and equipment	<u>2,517</u>	<u>74</u>	<u>-</u>	<u>2,591</u>
Total capital assets, being depreciated	129,289	6,972	-	136,261
Less accumulated depreciation for:				
Buildings and improvements	(318)	(69)	-	(387)
Infrastructure	(37,096)	(3,913)	-	(41,009)
Machinery and equipment	<u>(1,150)</u>	<u>(158)</u>	<u>-</u>	<u>(1,308)</u>
Total accumulated depreciation	<u>(38,564)</u>	<u>(4,140)</u>	<u>-</u>	<u>(42,704)</u>
Total capital assets, being depreciated, net	90,725	2,832	-	93,557
Capital assets, not being depreciated:				
Land	<u>1,261</u>	<u>-</u>	<u>-</u>	<u>1,261</u>
Total capital assets, not being depreciated	<u>1,261</u>	<u>-</u>	<u>-</u>	<u>1,261</u>
Business-type activities capital assets, net	<u>\$ 91,986</u>	<u>\$ 2,832</u>	<u>\$ -</u>	<u>\$ 94,818</u>

Depreciation expense was charged to functions of the City as follows (in thousands):

<b>Governmental Activities:</b>	
General government	\$ 325
Public safety	379
Education	1,023
Public works	685
Health and human services	22
Culture and recreation	<u>753</u>
Total depreciation expense - governmental activities	<u>\$ 3,187</u>
<b>Business-Type Activities:</b>	
Sewer	\$ 2,239
Water	1,883
Harbor	<u>18</u>
Total depreciation expense - business-type activities	<u>\$ 4,140</u>

## 10. Warrants and Accounts Payable

Warrants payable represent 2014 expenditures paid by July 15, 2014. Accounts payable represent additional 2014 expenditures paid after July 15, 2014.

**11. Other Liabilities**

Other liabilities reported in the general fund consist primarily of tax refunds due and various payroll deductions.

**12. Anticipation Notes Payable**

The City had the following notes outstanding at June 30, 2014:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/14</u>
Senior Center	1.00%	01/07/14	10/24/14	\$ 2,200,000
Schools	1.00%	01/07/14	10/24/14	2,900,000
Schools	0.50%	02/14/14	10/24/14	12,400,000
Water	1.00%	01/07/14	10/24/14	1,400,000
MWPAT Interim	0.00%	06/30/14	Upon completion	141,213
Total				<u>\$ 19,041,213</u>

The following summarizes activity in notes payable during fiscal year 2014 (in thousands):

<u>Bond anticipation notes</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Governmental	\$ 700	\$ 17,500	\$ (700)	\$ 17,500
Water notes	-	1,541	-	1,541
Total	<u>\$ 700</u>	<u>\$ 19,041</u>	<u>\$ (700)</u>	<u>\$ 19,041</u>

**13. Long-Term Debt**

A. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of <u>6/30/14</u>
High school	3.50 - 5.00%	2023	\$ 275,000
School demountables	3.50 - 5.00%	2025	50,000
City hall	4.00 - 7.00%	2019	750,000
Land acquisition	4.00 - 7.00%	2019	475,000
Equipment	4.25 - 5.00%	2017	220,000
Drainage	4.25 - 5.00%	2017	160,000
Central server - IT	4.25 - 5.00%	2015	20,000
Recreational facility	4.25 - 5.00%	2017	20,000
School renovations	4.25 - 5.00%	2017	200,000
Fire Truck	3.50 - 6.00%	2018	250,000
Inn street electrical	3.50 - 6.00%	2018	50,000
Stormwater management	3.50 - 6.00%	2018	250,000
Street paving	3.50 - 6.00%	2018	250,000
Relocation of N. Res Terr.	3.50 - 6.00%	2018	25,000
City hall restrooms	3.50 - 6.00%	2016	10,000
School building impr.	3.50 - 6.00%	2018	375,000
Police station refunding	2.00 - 2.50%	2015	65,000
School refunding	2.00 - 2.50%	2015	34,275
School refunding	2.00 - 2.50%	2017	72,700
Library refunding	2.00 - 2.50%	2017	123,000
Library renov. refunding	2.00 - 3.00%	2021	1,090,300
Land acquisition refunding	2.00 - 3.00%	2018	123,000
Recreation refunding	2.00 - 2.50%	2015	15,000
Recreation refunding	2.00 - 2.50%	2015	10,000
City hall refunding	2.00 - 3.00%	2020	62,000
Bresnahan school	2.50 - 5.00%	2033	15,451,000
Nock Mill school	2.50 - 5.00%	2033	10,379,000
High school	2.50 - 5.00%	2033	1,262,600
Boardwalk I	2.50 - 4.00%	2023	97,300
Boardwalk II	2.50 - 4.00%	2017	87,500
Boardwalk III	2.50 - 4.00%	2017	29,100
High school	2.50 - 5.00%	2025	2,677,300
School demountables	2.50 - 4.00%	2018	150,100
Total Governmental Activities Debt:			<u>\$ 35,109,175</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/14</u>
Sewer	3.50 - 5.00%	2025	\$ 40,000
MWPAT	3.50 - 5.00%	2034	260,000
Sewer	4.00 - 7.00%	2019	220,000
Sewer	4.00 - 7.00%	2019	1,015,000
Sewer	4.00 - 7.00%	2019	450,000
MWPAT	0.75%	2019	3,704,299
Plum Island	2.00%	2038	968,903
Sewer	4.25 - 5.00%	2017	60,000
Sewer mains	4.25 - 5.00%	2017	120,000
Wastewater plant refund	2.00 - 3.25%	2021	617,800
Sewer	2.00 - 4.00%	2028	3,500,000
MWPAT	2.00%	2031	3,607,699
MWPAT	2.00%	2033	5,861,004
Sewer	2.50 - 5.00%	2033	485,000
MWPAT	2.00%	2033	13,060,764
Sewer	2.50 - 5.00%	2025	379,300
Water	3.50 - 5.00%	2025	59,000
MWPAT	3.40 - 5.25%	2025	1,685,283
MWPAT	3.00 - 5.25	2025	2,286,840
Plum Island	2.00%	2038	646,094
Water	4.00 - 7.00%	2019	405,000
Water	4.00 - 7.00%	2019	520,000
MWPAT	0.00%	2025	195,064
Water refunding	2.00 - 2.50%	2017	387,250
Water improv. refunding	2.00 - 3.25%	2021	634,675
MWPAT	2.00%	2033	7,914,888
Water	2.50 - 5.00%	2033	1,085,000
MWPAT	2.00%	2033	6,099,517
Water	2.50 - 5.00%	2025	300,700
Plum Island water	2.50 - 5.00%	2025	266,100
<b>Total Business-Type Activities Debt:</b>			<b>\$ <u>56,835,180</u></b>

**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2014 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,994,875	\$ 1,545,851	\$ 3,540,726
2016	1,834,100	1,186,732	3,020,832
2017	1,811,800	1,126,389	2,938,189
2018	1,817,100	1,065,074	2,882,174
2019	1,676,400	1,007,185	2,683,585
2020 - 2024	6,502,700	4,316,582	10,819,282
2025 - 2029	8,297,200	2,874,460	11,171,660
2030 - 2034	8,750,000	1,166,925	9,916,925
Thereafter	<u>2,425,000</u>	<u>163,475</u>	<u>2,588,475</u>
Total	<u>\$ 35,109,175</u>	<u>\$ 14,452,673</u>	<u>\$ 49,561,848</u>

The general fund has been designated as the source to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2014:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,057,725	\$ 1,624,867	\$ 4,682,592
2016	3,219,235	1,505,525	4,724,760
2017	3,302,567	1,369,288	4,671,855
2018	3,212,548	1,235,693	4,448,241
2019	3,223,618	1,138,160	4,361,778
2020 - 2024	16,006,389	4,207,103	20,213,492
2025 - 2029	13,715,798	2,097,209	15,813,007
2030 - 2034	10,566,147	563,010	11,129,157
Thereafter	<u>531,153</u>	<u>1,131</u>	<u>532,284</u>
Total	<u>\$ 56,835,180</u>	<u>\$ 13,741,986</u>	<u>\$ 70,577,166</u>

**C. Bond Authorizations**

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2014 are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
12/01/03	Sewer	\$ 700,000
09/03/04	Water	46,175
12/16/05	Land Acquisition	500,000
09/10/10	Sewer	2,978,800
06/05/12	Schools	14,370,272
06/05/12	Schools	9,097,614
01/12/12	Sewer	6,270,000
01/12/12	Senior Center	6,500,000
Total		<u>\$ 40,462,861</u>

**D. Changes in General Long-Term Liabilities**

During the year ended June 30, 2014, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/13</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/14</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/14</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 37,673	\$ -	\$ (2,564)	\$ 35,109	\$ (1,995)	\$ 33,114
Unamortized bond premium	<u>2,681</u>	<u>-</u>	<u>(157)</u>	<u>2,524</u>	<u>(157)</u>	<u>2,367</u>
Total bonds payable	40,354	-	(2,721)	37,633	(2,152)	35,481
Compensated absences	3,423	513	(342)	3,594	(359)	3,235
Net OPEB obligation	<u>17,797</u>	<u>4,825</u>	<u>(1,675)</u>	<u>20,947</u>	<u>-</u>	<u>20,947</u>
Totals	<u>\$ 61,574</u>	<u>\$ 5,338</u>	<u>\$ (4,738)</u>	<u>\$ 62,174</u>	<u>\$ (2,511)</u>	<u>\$ 59,663</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 60,042	\$ -	\$ (3,207)	\$ 56,835	\$ (3,058)	\$ 53,777
Compensated absences	141	21	(14)	148	(15)	133
Net OPEB obligation	<u>1,338</u>	<u>348</u>	<u>(89)</u>	<u>1,597</u>	<u>-</u>	<u>1,597</u>
Totals	<u>\$ 61,521</u>	<u>\$ 369</u>	<u>\$ (3,310)</u>	<u>\$ 58,580</u>	<u>\$ (3,073)</u>	<u>\$ 55,507</u>

**14. Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net assets by the City that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of June 30, 2014:

	<u>Entity-wide Basis</u>	<u>Fund Basis</u>	
	Governmental	<u>General</u>	<u>Nonmajor</u>
	<u>Activities</u>		
Unavailable property tax revenue	\$ 303	\$ 2,675	\$ 16

## 15. **Restricted Net Position**

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

## 16. **Governmental Funds - Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The City has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2014:

**Nonspendable** - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

**Restricted** - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved by City Council, stabilization funds set aside by City Council vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the City's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various City departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the City's fund balances at June 30, 2014:

	General Fund	School Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 1,997,636	\$ 1,997,636
Total Nonexpendable	-	-	1,997,636	1,997,636
Restricted				
Capital project funds	-	-	657,684	657,684
Expendable permanent funds	-	-	229,782	229,782
CPA	-	-	1,590,847	1,590,847
Paid parking	-	-	541,629	541,629
School choice	-	-	466,221	466,221
Solid waste	-	-	271,500	271,500
Other	-	-	3,953,974	3,953,974
Total Restricted	-	-	7,711,637	7,711,637
Committed				
Stabilization accounts	330,700	-	-	330,700
Total Committed	330,700	-	-	330,700

(continued)

(continued)

	<u>General Fund</u>	<u>School Building Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assigned				
Encumbrances				
General government	128,037	-	-	128,037
Public safety	232,040	-	-	232,040
Education	42,379	-	-	42,379
Public works	262,045	-	-	262,045
Health and human services	88,530	-	-	88,530
Culture and recreation	17,935	-	-	17,935
Employee benefits	76,646	-	-	76,646
Total Assigned	847,612	-	-	847,612
Unassigned - Uncommitted stabilization	2,530,323	-	-	2,530,323
Unassigned	3,718,414	(1,501,009)	(744,283)	1,473,122
Total Unassigned	6,248,737	(1,501,009)	(744,283)	4,003,445
Total Fund Balance	<u>\$ 7,427,049</u>	<u>\$ (1,501,009)</u>	<u>\$ 8,964,990</u>	<u>\$ 14,891,030</u>

## 17. Subsequent Events

### Debt

Subsequent to June 30, 2014, the City has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bresnahan school notes	\$ 4,070,026	1.00%	10/12/14	10/23/15
Nock/Molin school notes	4,450,083	1.00%	10/12/14	10/23/15
Total bond anticipation notes	<u>\$ 8,520,109</u>			
	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bresnahan bonds	\$ 1,918,000	2.125 - 5.00%	10/08/14	10/15/24
Nock/Molin bonds	1,124,000	2.125 - 5.00%	10/08/14	10/15/34
Senior & Community Center bonds	6,238,000	2.125 - 5.00%	10/08/14	10/15/34
Water system improvements	1,400,000	2.125 - 5.00%	10/08/14	10/15/24
Total general obligation bonds	<u>\$ 10,680,000</u>			

## 18. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues in which the City is involved. The City's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

## 19. **Post-Employment Healthcare and Life Insurance Benefits**

GASB Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

### A. Plan Description

In addition to providing the pension benefits described, the City provides post-employment healthcare and life insurance benefits for retired employees through the City's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2012, the actuarial valuation date, approximately 412 retirees and 602 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

### B. Benefits Provided

The City provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the City and meet the eligibility criteria will receive these benefits.

### C. Funding Policy

Retirees contribute 25% of the cost of the health plan, as determined by the City. The City contributes the remainder of the health plan costs on a pay-as-you-go basis.

### D. Annual OPEB Costs and Net OPEB Obligation

The City's fiscal 2014 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is

projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2014, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of July 1, 2012.

Annual Required Contribution (ARC)	\$ 6,454,803
Interest on net OPEB obligation	765,404
Adjustment to ARC	(1,064,023)
Amortization of Actuarial (Gains)/Losses	<u>(983,459)</u>
Annual OPEB cost	5,172,725
Contributions made	<u>(1,763,709)</u>
Increase in net OPEB obligation	3,409,016
Net OPEB obligation - beginning of year	<u>19,135,086</u>
Net OPEB obligation - end of year	<u><u>\$ 22,544,102</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 4,993,142	35.3%	\$ 22,544,102
2013	\$ 4,925,585	34.4%	\$ 19,135,086
2012	\$ 5,651,432	45.1%	\$ 15,905,529
2011	\$ 5,389,223	44.5%	\$ 12,804,390
2010	\$ 7,136,512	31.3%	\$ 9,810,764
2009	\$ 7,136,512	31.3%	\$ 4,905,382

*E. Funded Status and Funding Progress*

The funded status of the plan as of July 1, 2012, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 50,365,955
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 50,365,955</u></u>
Funded ratio (actuarial value of plan assets/AAL)	<u><u>0%</u></u>
Covered payroll (active plan members)	<u><u>\$ N/A</u></u>
UAAL as a percentage of covered payroll	<u><u>N/A</u></u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the City and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advance funded its obligation. The actuarial assumptions included a 4.00% investment rate of return and an initial annual healthcare cost trend rate of 8.00% which decreases to a 5.00% long-term rate for all healthcare benefits after three years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.50%.

**20. Contributory Retirement System**

The City follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

A. Plan Description and Contribution Information

Substantially all employees of the City (except teachers and administrators under contract employed by the School Department) are members of the Newburyport Contributory Retirement System (NCRS), a cost sharing, multiple employer defined benefit PERS. Eligible employees must participate in the NCRS. The pension plan provides pension benefits,

deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the NCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The NCRS Retirement Board does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, the System issues a separate report to the Commonwealth's Public Employee Retirement Administration Commission. The System also issues a stand-alone financial report, which can be obtained from the System located at 60 Pleasant Street, Newburyport, Massachusetts 01950.

Membership of each plan consisted of the following at December 31, 2013:

Retirees and beneficiaries receiving benefits	217
Terminated plan members entitled to but not yet receiving benefits	9
Active plan members	<u>364</u>
Total	590
Number of participating employers	2

Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The percentage is determined by the participant's date of entry into the system. All employees hired after January 1, 1979 contribute an additional 2% on all gross regular earnings over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC). The Town's Schedule of Employer Contributions is as follows:

Schedule of Employer Contributions:

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2014	\$ 4,064,210	100%

**B. Summary of Significant Accounting Policies**

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due.

Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments is reported at fair value in accordance with PERAC requirements.

*C. Funded Status and Funding Progress*

The information presented below is from the Newburyport Contributory Retirement System's most recent valuation (in thousands).

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
01/01/12	\$ 51,992,733	\$ 88,054,145	\$ 36,061,412	59.0%	\$ 15,079,238	239.1%

The Schedule of Funding Progress following the notes to the financial statements presents multi-year trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

*D. Actuarial Methods and Assumptions*

The annual required contribution for the current year was determined as part of the actuarial valuation using the individual entry age normal actuarial cost method. The actuarial assumptions included (a) 8.00 % investment rate of return and (b) a projected salary increase of 5.25 to 5.50% per year. Liabilities for cost of living increases have been assumed at an annual increase of 3 %, on the first \$12,000 of benefit payments. The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8.00 %) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five-year period. As of December 31, 2013, the unfunded actuarially accrued liability is being amortized over 17 years using 4.0 % increasing payment method.

*E. Teachers*

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

\* Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$30,000.

The Town's current year covered payroll for teachers and administrators was not available.

In fiscal year 2014, the Commonwealth of Massachusetts contributed \$5,800,283 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

*F. Other Employees*

Certain retired employees of the Town were exempted from membership or elected not to participate in the System. The Town pays retirement benefits to these employees from the General Fund appropriations. These employees are not included in the Town's actuarial liability. The Town's fiscal 2013 pension expense relating to these employees was not available.

**21. Risk Management**

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

**22. Implementation of New GASB Standards**

The GASB has issued Statement No. 68 *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the City's basic financial statements by recognizing as a liability and expense, the City's applicable portion of the Newburyport Contributory Retirement System's actuarially accrued liability.

**CITY OF NEWBURYPORT, MASSACHUSETTS  
SCHEDULE OF FUNDING PROGRESS  
REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2014  
(Unaudited)**

**Employees' Retirement System**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/12	\$ 51,992,733	\$ 88,054,145	\$ 36,061,412	59.0%	\$ 15,079,238	239.1%
01/01/10	\$ 48,716,469	\$ 79,970,940	\$ 31,254,471	60.9%	\$ 14,284,583	218.8%
01/01/08	\$ 46,753,245	\$ 71,953,723	\$ 25,200,478	65.0%	\$ 13,709,329	183.8%

**Other Post-Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/12	\$ -	\$ 50,365,955	\$ 50,365,955	0.0%	N/A	N/A
07/01/10	\$ -	\$ 64,860,191	\$ 64,860,191	0.0%	N/A	N/A
07/01/08	\$ -	\$ 74,485,260	\$ 74,485,260	0.0%	N/A	N/A

See Independent Auditors' Report.